

Indiana Department of Financial Institutions

A COLLEGE STUDENT BUDGET

A mini-lesson for:

secondary school teachers
students, high school and college
adult and community educators

This lesson includes learning objectives, background information, discussion questions, a budgeting activity and additional sources of information.



OBJECTIVES

Learners will:

- ◆ design a personal budget for a college student
- ◆ consider credit card use by college students

Out of Cash

Experience can be a dear teacher when it comes to overspending at college. Many students discover, at the most inconvenient and embarrassing times, that their expenses have exceeded their income -- they are out of cash! The question is what to do. Call home? Borrow from the roommate? Both are short term solutions at best. A better solution is to design a budget using the worksheet Budget for college spending and take control of the cash flow.

College Budgeting 101

The primary purpose of a budget is to design a realistic plan for spending limited financial resources. A student budget requires flexibility to adapt to the changing circumstances of college life. Essential steps in designing a budget are:

- ◆ Identify your income sources. Income can include your allowance from home, take-home pay from student employment, savings allocated to college expenses, interest, dividends, gifts, grants, scholarships.
- ◆ List fixed and flexible expenses. Fixed expenses are exact amounts due on a specific date. Flexible expenses include money spent on wants and needs that are irregular in nature.
- ◆ Review and modify the plan. If expenses exceed income identify ways to increase income or reduce expenses. This is not rocket science, but doing it right is terribly important to your economic well-being at college.

Peer pressure and conveniences such as automatic teller machines can play havoc with student budgets, because ready cash makes it easy to buy things on a whim. A budget can help you sidestep impulse spending. It puts you in control of the decision to buy or not to buy, based on your needs and available cash.

Budget Format

The time period of a student budget can be a month, a semester, or the school year. After listing all income, estimate how much money you will spend on the fixed and flexible items in your budget. Fixed items are a constant and easily defined. Flexible expenses are more difficult to identify because of their changing nature. Keep a daily record of your expenditures for a few weeks to better estimate the kind and amounts of your flexible expenses.

Fixed Expenses

- ◆ College room and board -- dormitory meal plan or off-campus housing
- ◆ Car payment and insurance, if you have a car
- ◆ Health insurance, if not covered by parent's policy
- ◆ Tuition, a fixed expense, may vary depending on course load
- ◆ Other fixed expenses, such as an emergency fund and other savings

Flexible Expenses

- ◆ Books, lab fees, equipment, supplies, tutoring, etc.
- ◆ Snacks, drinks, groceries, restaurant meals
- ◆ Telephone bills, including long distance calls

- ◆ Social and recreation expenses -- such as movies, sporting events
- ◆ Transportation -- plane, train, bus, cabs, car maintenance, and parking
- ◆ Personal expenses --toiletries, haircuts, laundry
- ◆ Clothing -- new purchases, dry cleaning
- ◆ Health Care -- prescriptions, doctor or dentist fees
- ◆ Other expenses -- such as dues and gifts

Compare total estimated expenses with your total income then adjust the flexible expenses in order to balance your budget. Your spending practices will have a significant effect on shaping your financial security, and a budget helps you keep spending in tow. Effective use of a student budget will help you gain the sense of independence that comes from being in control of your personal financial affairs, whether you have "plenty of money" or are operating on a shoestring.

See our Web Sites on **Budgets** at <http://www.in.gov/dfi/education/budget.htm>

Visit Web Site on **Budget Calculators** at <http://www.cuna.org/data/consumer/advice/calcs/calculators.html> .

Credit Cards and College Students

You will have access to credit cards as a college student. While credit cards are useful when used appropriately, the temptation to overspend can lead to expenses that could destroy your budget as well as your financial independence. Students sometimes wisely use credit cards to pay for unexpected expenses such as medical emergencies, with the full understanding that it costs money to borrow money if the credit card balance is not paid in full each month.

Your credit record begins when you establish credit in your name, and a history of repayment is recorded by credit reporting agencies. Your credit rating follows you wherever you go, and a bad credit rating can affect your ability to get a job or buy a car or house.

Credit Card Tips for College Students

- ◆ Set a credit card limit and stick to it. When possible, pay off credit card balances each month.
- ◆ If you pay only the minimum balance on credit cards each month, you will pay interest on the use of the money, and it will take time to pay off the total debt.
- ◆ Comparison shop for credit cards. On credit applications, compare the annual percentage rate (APR) including finance charges, methods used to compute

charges, the grace period, annual fees, penalties for late payments, and other charges.

Your credit limit may increase when you pay your bills on time. To avoid overspending, make buying decisions based on a careful analysis of your financial condition rather than on the credit limit on your credit cards.

Visit our Web Sites on **Credit Cards** at

http://www.in.gov/dfi/education/Credit_card_infor.htm

Be sure to see "**Warning to Credit Card Kids**" at

http://www.in.gov/dfi/education/warning_to_credit_card%20kids.htm

DISCUSSION QUESTIONS AND TOPICS

1. Explain the advantages of a college student using a budget?
2. What are the steps that you would use to design a budget for your situation?
3. What are your options if your expenses are greater than your income?
4. Suggest uses of a credit card that are appropriate for college students?

BUDGETING QUIZ

1. The budgeting process starts with monitoring current spending.

- True False

2. Most short-term goals are based on activities over the next two or three years.

- True False

3. A common long-term goal may involve saving for college for parents of a new-born child.

- True False

4. Rent is considered a fixed expense.

- True False

5. Flexible expenses stay about the same each month.

- True False

6. The final phase of the budgeting process is to:

- set personal and financial goals.
- compare your budget to what you have actually spent.
- review financial progress.
- monitor current spending patterns.

7. An example of a long-term goal would be:

- an annual vacation.
- saving for retirement
- buying a used car.
- completing college within the next six months.

8. A clearly written financial goal would be:

- To save money for college for the next five years
- To invest in an international mutual fund for retirement
- To establish an emergency fund of \$4,000 in 18 months
- To pay off credit card bills this year

9. An example of a fixed expense is:

- clothing.
- auto insurance.
- an electric bill.
- educational expenses.

10. What is commonly considered a flexible expense?

- rent
- a mortgage payment
- home insurance
- entertainment

BUDGETING QUIZ ANSWERS

1. The budgeting process starts with monitoring current spending.

False

2. Most short-term goals are based on activities over the next two or three years.

False

3. A common long-term goal may involve saving for college for parents of a new-born child.

True

4. Rent is considered a fixed expense.

True

5. Flexible expenses stay about the same each month.

False

6. The final phase of the budgeting process is to:

review financial progress.

7. An example of a long-term goal would be:

saving for retirement

8. A clearly written financial goal would be:

To establish an emergency fund of \$4,000 in 18 months

9. An example of a fixed expense is:

auto insurance.

10. What is commonly considered a flexible expense?

entertainment

ACTIVITY

Design a budget for a college student who receives \$3,500 from a parent, earns \$50 a week from student employment, has a \$500 tuition scholarship and will use \$1,000 of personal savings. Room and board expenses are \$____, tuition expenses are \$____. (Use figures from a local college of choice.) The student does not own a car and is covered by a parent's health insurance plan.

Give your students the **Budget Quiz**.

Give students a copy of our **Brochures** on a Budget and Credit Cards.

SOURCES OF ADDITIONAL INFORMATION

College Basics, How To Start Right and Finish Strong, Lunenfeld, Marvin and Peter, Buffalo, N.Y.: Semester Press. (1991).

Finance 101, Mademoiselle Magazine, p. 132, (1995).

How To Teach A Teen The Value Of A Buck, Money Magazine, pp. 132-138, (December 1995).

Pack-Up Your Pupil, A Guide For Parents And Students In Their Move From Home To Campus, Kunkel, Judith Austin, San Marcos, California: Erdmann Pub. (1991).

Quiz (money management skills), Moreau, Dan., Kiplinger's Personal Finance Magazine, pp. 83-87, (April 1996).

Students Can Learn a Lesson On Budgeting, Lohse, Deborah, Wall Street Journal, (August 23, 1995).

Articles

College Savings Plans That Work by Manuel Schiffres. Kiplinger's Personal Finance Magazine, pp. 65-69, (April 1992). This article discusses a planned approach to saving for college and gives information on the various savings options. There is also a worksheet to help decide how much to save and how to reach that goal.

Countdown to College by Kristin Davis. Kiplinger's Personal Finance Magazine, pp 55-58, (October 1996). An article that explains how to prepare for college expenses by accelerating savings and maximizing opportunities for financial aid throughout the high school years.

Cut College Costs In Half--Or More by Lani Luciano. Money Magazine, pp. 130-137, (October 1995). This article provides strategies to cut college costs and the best

bargaining techniques to negotiate with colleges. It also gives information on how to locate hard to find scholarships and how to get loan information off the Internet.

Haggle Your Way To A Lower Tuition by Tracey Longo. Kiplinger's Personal Finance Magazine, pp. 61-63, (April 1996). An article that helps parents and students "learn how to haggle" to reduce college costs.

How To Pay For Baby's College by Manuel Schiffres. Kiplinger's Personal Finance Magazine, pp. 67-76, (November 1994). This article helps parents appreciate the importance of investing early and thinking growth for college saving. Included in the article is a worksheet to determine how much needs to be saved.

101 Ways To Keep More Cash by Ken Sheets and Greg Spears. Kiplinger's Personal Finance Magazine, pp. 32-39, (May 1996). An article that contains a collection of ideas that help save money for all future financial goals.

Books

College Costs And Financial Aid handbook by the College Entrance Examination Board. The College Board, (1996). \$16.00. A comprehensive, well-written source of information on major state and federal scholarship programs, current costs and financial aid options. A worksheet to estimate financial need is included plus advice on getting the full amount of aid.

Complete College Financing Guide, third edition, by Marguerite J. Dennis. Barron's, (1994). \$14.95. Gives the how, when and where to apply for college scholarships, financial grants and low interest loans. There is information on early financial planning options, long term planning for meeting college costs and creative methods of financing a college education.

Don't Miss Out, The Ambitious Student's Guide to Financial Aid by Robert and Anna Leider. Octameron Press, (1992). \$7.50. Good information on where the money really is and also how to get it; plus the fundamentals of financial aid and special opportunities.

Financial Aid For College by Pat Ordovensky, writer for USA Today. Peterson's, (1995). \$8.95. Quick guide to what college money is available and how to obtain it. This book covers all options; state and federal, private awards, loans, scholarships, work-study and tuition-free colleges. Also included are 1996 financial aid forms and information on what financial aid officers look for in the forms.

How To Go To College For Free by Linda Bowman. Probus Publishing, (1991). \$9.95. Helps unravel the mysteries of financial aid; covers scholarships, grants, loans, work-study and untapped financial aid sources. Also contains sample financial aid forms.

Pamphlets

Paying for College. A Guide for Parents and their Children, Free, 24 page Booklet

that explains how to estimate college expenses and put together a financial plan. Consumer Information Center, P.O. Box 100, Pueblo, Colorado 81002.

Preparing Your Child for College, A Resource Book for Parents, 1996-97 Edition. Resource booklet that helps both parents and their children understand the process of selecting and paying for college. Free, 54 pages. Consumer Information Center, P.O. Box 100, Pueblo, Colorado 81002.

The Student Guide, Financial Aid 1996-97. Well-written booklet that gives complete information on all federal student financial aid programs and the requirements for each. Free, 34 pages. U.S. Department of Education, Federal Student Aid Information Center, P.O. Box 84, Washington, DC 20044-0084

Internet

Student Loan Marketing Association (Sallie Mae) at <http://www.salliemae.com>

College Board: Fund Finder at <http://www.studentservices.com/fastweb>

Department of Education at <http://www.ed.gov>

College Funding Incorp. at <http://www.cfionline.com>

Interactive Calculators: **Budget Calculators** at <http://www.cuna.org/data/consumer/advice/calcs/calculators.html> and

What will it take to save for a college education? at <http://www.calcbuilder.com/cgi-bin/calcs/SAV4.cgi>

WHAT IS A BUDGET?

A budget is a **spending plan** that you decide upon. It is based on how much you make (income) and what your monthly expenses are. By understanding your monthly income and expenses, you will be better able to manage your cash flow and determine how much debt, if any, you can assume.

HOW DO YOU FIGURE OUT A BUDGET?

You can use the following pointers and budget worksheet to figure out your own monthly budget.

◆ **Start with your income.** Figure out your monthly take-home pay. That's the amount you bring home each month after taxes, etc. are withheld.

◆ **Prepare a list of your monthly fixed expenses.** Fixed expenses are the payments that you have to make each month, many of which are the same such as your rent or mortgage payment, utilities (take an average if not budgeted), and any credit payments you have.

◆ **List your monthly flexible expenses.** Your flexible expenses may vary from month to month, but you can control them more readily than you can your fixed expenses. In other words, you can decide whether and how much you will spend on them.

"Flexible expenses" include food, clothing, transportation, household expenses, and personal spending for entertainment, eating out, and other items that you have control over.

DECIDE HOW MUCH TO SAVE AND STICK TO IT

It is important to think of savings as a fixed expense so that you are sure to save a set amount each month. Otherwise, it is easy to spend more on your flexible expenses and forget about savings.

Services are available through your employer and your bank to make it easier for you to save. These include payroll deductions, direct deposit of your paycheck, and automatic savings plans.

The budget worksheet will help you determine how much you can save.

CREATE A SPENDING PLAN

You should be sure to have some savings you can utilize in a financial emergency. But, you should create a spending plan that allows you to reduce your debts. If you have credit card balances, you should use your extra money to pay those balances off quicker. Withdrawing savings from low-interest accounts to settle high-rate loans will save you money in the long run. Extra money sitting in a savings account earning less than 5% could be better utilized by paying off credit card balances being imposed interest at 21%.

TRY TO REDUCE YOUR EXPENSES

Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Clip coupons, purchase generic products at the supermarket, and avoid impulse purchases. Above all, stop incurring new debt.

HOW TO DEAL WITH FINANCIAL EMERGENCIES

A sudden illness or the loss of your job may throw you off your budget and make it impossible for you to pay your bills on time. Whatever your situation, if you find that you cannot make your payments, contact your creditors at once.

Try to work out a modified payment plan with your creditors that reduces your payments to a more manageable level. If you have paid promptly in the past, they may be willing to work with you. Do not wait until your account is turned over to a debt collector.

BUDGET WORKSHEET

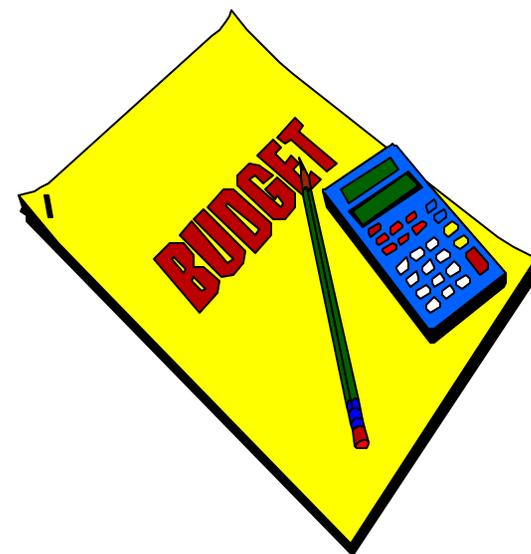
FIXED EXPENSES:	
Rent/Mortgage.	\$
Credit payments	\$
Insurance.	\$
Medical	\$
Other	\$
FLEXIBLE EXPENSES:	
Food	\$
Clothing	\$
Transportation	\$
Household	\$
Personal	\$
Other	\$
TOTAL EXPENSES	\$
MONTHLY TAKE-HOME PAY	\$
LESS TOTAL EXPENSES	\$
SAVINGS	\$

The Indiana Department of Financial Institutions,
Division of Consumer Credit has many other credit
related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit Reporting and Scams
Debt Collection Problems?
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
How to Cut the Costs of Credit
Identity Theft
Look Before you Lease
Mortgage Loans
Older Consumers
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Secured Credit Card Scams
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the
cover for a copy of any of the brochures listed or for
further consumer credit information.

WHAT IS A BUDGET?



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880



Credit cards are a great modern invention and are quick, convenient, and helpful in a wide variety of circumstances. However, teens can be especially vulnerable to credit difficulties and need to be cautioned about the pitfalls of credit cards. A credit card may seem like a "free ride" to many untried and unsuspecting young people and they end up accumulating a large debt long before they have the earning power to pay it off.

Around 6 million full-time college undergraduates now have credit cards. It doesn't matter that they have no income or credit history; card companies figure they'll get a job that can pay the bills. Parents don't have to cosign. In fact, you might not even know your kids have cards. But if they overspend, the card companies hope the parents will come to the rescue and pay the bill. Some firms even ask for parental income on the student's credit-card application.

It pays students who use credit responsibly to get a student card. They'll never get such easy credit again. But some students get so far into debt that they ruin their credit rating before they graduate. Two out of three undergraduates have at least one credit card and 27% of them have four or more cards according to a recent study by a national educational loan provider. The average credit card balance for undergraduates is \$1,879.

If your child gets a card, make sure he or she understands the significance of a clean credit history. Also explain why it's important to pay more than the minimum every month. The student who racks up a \$1,000 credit-card bill in the freshman year and pays only the low minimum each month will finish a bachelor's degree, a master's program, and still need three and a half years to pay off that freshman spending spree.

Credit card applications have been invading the mailboxes of high school students too.

HOW TO HELP PREPARE A CHILD FOR CREDIT RESPONSIBILITY

- ◆ Help teens set up a budget, open a checking account, and decide if or how credit cards can be used during young adult years.
- ◆ Consider various credit companies before acquiring a card. Read the contract carefully and talk with teens about terms and conditions found in the small print.
- ◆ Show teens what happens to a balance if only the minimum amount is paid monthly.
- ◆ Help them figure out how long it will take to repay the loan and what the actual cost of the item will be after all credit charges have been added.
- ◆ Explain that if he/she pays late or less than the minimum, he/she can be penalized with fees (up to \$30 per infraction) and a higher interest rate. Discuss what may happen when dealing with collection agencies.
- ◆ Keep a college student's credit limit low, \$500 to \$1,000, and instruct him/her to use the card only for emergencies. Spell out what is/is not "an emergency."
- ◆ Explain what the term "good credit rating" means, what it is used for, and why it is important to maintain one in today's economy. Discuss the consequences of a bad credit rating.
- ◆ Consider having the bills sent to your address so you can see they are paid on time.
- ◆ Tell your child to keep the card in a safe and secret place and to notify the card issuer immediately if it is lost or stolen.
- ◆ Recommend that students who choose to use credit cards limit themselves to one card and pay off the balance in full each month.

IF TEEN IS ALREADY IN TROUBLE

If your child is already in trouble, don't delay action:

Call your child's creditors before he defaults to avoid negative marks on his credit report. Ask them to lower interest rates or suspend new interest charges for six months. Get the new terms in writing.

If you decide to pay off the balance, ask the creditor to remove any penalty or legal fees and all negative marks they've put on your child's credit report. Before you hand over any money, get a letter confirming the agreed-upon amount is "payment in full" and that no further action will be taken. **Tip:** For help negotiating, call the nonprofit organization: Consumer Credit Counseling Services at 1-800-388-CCCS or visit Debt Counselors of America's web site at www.dca.org.

Consider a debt consolidation loan only if it will lower the interest rate, not just the monthly payment.

Check your child's credit report a few weeks later. If there are negative remarks, send the credit bureau copies of correspondence confirming your agreement.

Protect Your Child's Privacy:

Call 1-888-466-6936 for facts every concerned parent needs to know about protecting their child's privacy.



The Indiana Department of Financial Institutions,
Division of Consumer Credit has many other credit
related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for
a copy of any of the brochures listed or for further consumer
credit information.



WARNING TO CREDIT CARD KIDS



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SHOP FOR YOUR CREDIT CARD

Smart consumers comparison shop when looking for credit such as a mortgage or an auto loan. It is also a good practice to engage in when choosing a credit card. The choices you make can save you money.

Shop among some of the credit card issuers listed in this brochure. Compare them with cards you already have and with offers you receive in the mail for the terms that best suit your spending and repayment habits.

Key credit terms to consider in the credit card agreement are:

Annual Fee - a flat, yearly charge similar to a membership fee. Many credit card issuers charge an annual fee for granting you credit, typically \$15 to \$55. Some issuers charge no annual fee.

Annual Percentage Rate (APR) - the cost of credit expressed as a yearly rate.

Finance Charge - The dollar amount you pay to use credit. Besides interest costs, it may include other charges associated with transactions such as cash advance fees.

Transaction Fees and Other Charges - Some issuers charge a fee if you use the card to get a cash advance, if you fail to make a payment on time, or if you exceed your credit limit. Some may charge a flat fee every month whether you use the card or not.

Grace Period - A time, usually 25 days, during which you can pay your credit card bill without paying a finance charge.

Average Daily Balance - A balance calculation method most creditors use in calculating their finance charge. The average daily balance is calculated by adding each days balance and dividing the total by the number of days in the billing cycle.

Adjusted Balance Method - This balance used to calculate the finance charge is derived by subtracting the payments you've made from the previous balance. This method is most favorable to the customer.

CREDIT CARD FEATURES TO CONSIDER

Smart consumers find the best deal for their budgets and repayment styles. If you always pay your monthly bill/s in full, the best type of card is one that has no annual fee and offers a grace period for paying your bill without paying a finance charge.

If you don't always pay off the credit card balance/s at the end of the month, be sure to look at the annual percentage rate.

Example:

Terms	Card A	Card B
Average monthly balance	\$2,500	\$2,500
APR	x .18	x .14
Annual finance charges	\$ 450	\$ 350
Annual fee	+ \$20	-0-
Total Cost	\$ 470	\$ 350

Other features to consider are enhancements to the credit card that the issuer offers. Enhancements can include cash rebates, purchase protections, warranty guarantees, and usage incentives such as frequent flyer miles.

CREDIT CARD PLANS

The following credit card list is subject to change. Readers are encouraged to contact the credit card issuer for current rates and to learn about their other credit plans.

Codes Used in the Credit Card Plan List:

M = Master Card F = fixed rate
 V = Visa V = variable rate
 N = national R = only in selected states
 T = tiered pricing, different rates for balance levels

State abbreviation = only in state specified
 (G) = Gold Card (P) = Platinum Card

Institution, Plan & Availability	APR	Grace Period Days	Annual Fee	Telephone
Abbott Bank,MC,N	17.60V	25	0	800-426-6420
AFBA Ind Bk, V, N	VPrime +3.49	25	0	800-776-2265
Amalgamated Bk, M, N	VPrim + 4.5	25	0	800-723-0303
Baybank, M, N	16.90V	0	\$21	800-221-3393
Capital One (P)	9.9 Cash adv. 19.8	25	0	800-822-3397
Central Carolina, M, N	VPrime + 2.5	25	\$29	800-334-1073
Chevy Chase Bk, V, N	V Prime + 5.15	25	\$20	800-937-5000
Citibank, V, N	V Prime + 9.4	25	0	800-950-5114
Citizens TC, V, N	V Prime +7.15	25	0	800-922-9999
Columbus Bk, V, N	14.9V	25	12	800-348-8900
Crestar Bk, V, N	V Prime + 6.9	25	20	800-368-7700
FCC NB, V, N	V Prime + 9.9	25	0	800-368-4535
Fifth Third Bk, M, R	V Prime + 5.9	25	18	800-472-3030
1st of Am. Bk, M, N	V Prime + 8.4	25	0	800-423-3883
1st USA Bk, V, R	13.99F	25	0	800-955-9900
1st USA Bk, (P)	9.99	25	0	800-294-2993
GE Capital, M, N	19.8F	25	0	513-677-6736
Household Bk, V, N	15.65V	25	15	800-477-6000
Huntington Bk, V, IN (P)	V Prime	25	75	800-480-2265
Huntington Bk, V, IN (G)	V Prime + 1	25	49	800-480-2265
Huntington Bk, V, IN (G)	V Prime + 4.49	25	0	800-480-2265
Mellon Bk, M, N	V Prime + 8.25	20	35	800-753-7011
NBD, Skokie V, R	V Prime + 8.25	15	0	800-766-4623
Oak Brook Bk, M, N	V Prime + 4.9	25	17	800-666-1011
Peoples Bk, V, N	13.90F	25	25	800-426-1114
Providian Ban Cor, V, R	13.9V	25	0	800-964-6000
Pulaski Bank & Trust	9.45	25	50	800-980-2265
Pullman Bank & Trust (G)	VPrime +3	25	0	800-785-5626
Security NB, V, R	12.87V	25	18	800-356-8085
Simmons First Nat'l (G)	9.5	25	50	800-636-5151
Union Fed, V, IN	11.5F	25	0	800-284-8835
Union Planters, M,N	V Prime +3.75	25	29	918-664-1400
USAA Savings (G, P)	VPrime + 1	25	45	800-022-9092

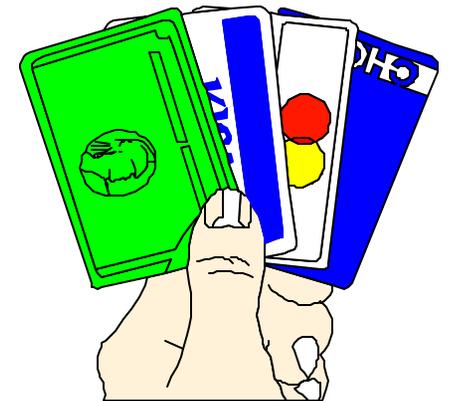
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

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- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



CHOOSING A CREDIT CARD



DEPARTMENT OF FINANCIAL INSTITUTIONS

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30 South Meridian Street, Suite 300
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880



"I got a call from a woman who said I need credit card loss protection insurance. I thought there was a law that limited my liability to \$50 for unauthorized charges. But she said the law had changed and that now, people are liable for all unauthorized charges on their account. Is that true?"

Don't buy the pitch - and don't buy the "loss protection" insurance. Telephone scam artists are lying to get people to buy worthless credit card loss protection and insurance programs.

If you didn't authorize a charge, don't pay it. Follow your credit card issuer's procedures for disputing charges you haven't authorized. Also see our Fair Credit Billing Brochure.

Credit Card Loss

If you report the loss before credit cards are used, the Fair Credit Billing Act says the card issuer cannot hold you responsible for **any unauthorized charges**.

If a thief uses your cards before you report them missing, the most you will owe for unauthorized charges is **\$50 per card**.

This is true even if a thief uses your credit card at an ATM machine to access your credit card account.

However, it's not enough simply to report your credit card loss. After the loss, review your billing statements carefully. If they show any unauthorized charges, send a letter to the card issuer describing each questionable charge.

Again, tell the card issuer the date your card was lost or stolen and when you first reported it to them. Be sure to send the letter to the address provided for billing errors. Do not send it with a payment or to the address where you send your payments unless you are directed to do so.

Worthless Credit Card Loss Protection Offers

The Federal Trade Commission says worthless credit card loss protection offers are becoming more common and fraudulent promoters try to exploit consumers. As a result, the agency is cautioning consumers to avoid doing business with callers who claim that:

- you are liable for more than \$50 in unauthorized charges on your credit card account.
- you need credit card loss protection because computer hackers can access your credit card number and charge thousands of dollars to your account.

- they're from "the security department" and want to activate the protection feature on your credit card.

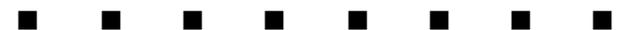
The Federal Trade Commission advises consumers not to give out personal information - including their credit card or bank account numbers - over the phone or online for any product unless they are familiar with the business and have initiated the contact. Scam artists can use your personal information to commit fraud.

Buying a Registration Service

For an annual fee of \$10 to \$35, companies will notify the issuers of your credit and ATM accounts if your card is lost or stolen. This service allows you to make only one phone call to report all card losses rather than calling individual issuers. Most services also will request replacement cards on your behalf.

Purchasing a card registration service may be convenient, but it's not required. The Fair Credit Billing Act and the Electronic Funds Transfer Act give you the right to contact your card issuers directly in the event of a loss or suspected unauthorized use.

If you decide to buy a registration service, compare offers. Carefully read the contract to determine the company's obligations and your liability. For example, will the company reimburse you if it fails to notify card issuers promptly once you've called in the loss to the service? If not, you could be liable for unauthorized charges.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
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- What is the DFI?

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CREDIT CARD LOSS PROTECTION OFFERS

Don't buy the Pitch!

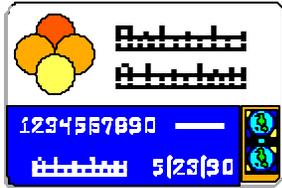


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Most credit cards are unsecured. However, there are three ways in which some credit card lenders take collateral.



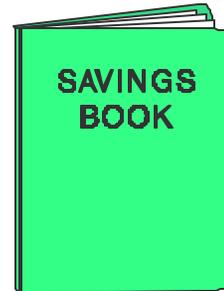
#1 SECURITY INTEREST IN ITEMS PURCHASED



Some credit card lenders, usually store credit such as Sears, claim to take collateral in items purchased with their card. This means that if you have problems making payments, those lenders may threaten to repossess property bought with the card. In addition, personal property collateral may affect your rights if you later need to file bankruptcy.

Most threats to repossess personal property are not carried out. Nevertheless, it is a good idea to know whether the security interest exists. If it does, use another card in preference to that card whenever possible.

#2 YOUR BANK ACCOUNT



Another type of credit card taking a security interest involves card balances secured by a bank deposit. The card allows you a credit limit up to the amount you have on deposit in a particular bank account. If you can't make the payments, you lose the money in the account.

These cards are usually marketed as a good way to establish credit or to reestablish credit if you have had financial problems. They may be useful to establish that you can make regular monthly payments on a credit card after you have had problems in the past.

However, since almost everyone now gets unsecured credit card offers even after previous financial problems, there is less reason to consider allowing a creditor to use your bank deposits as collateral.

It is preferable not to tie up your bank account or to pay interest to a lender for the privilege of establishing that you can afford to make payments.

#3 HOME EQUITY LINE OF CREDIT



Finally, there are increasing opportunities to obtain credit cards in connection with a home equity line of credit. Each time you use the card, the balance is secured against your home.

In many cases these are sold by home improvement contractors as a good way to pay for home improvements. Sometimes the initial amount advanced on such a card is as much as your credit limit.

Home secured credit cards are almost always a bad idea. You should always seek to avoid using high-rate credit secured by your home because the potential consequence of nonpayment if you have financial problems is loss of your family's shelter by foreclosure. You will likely do better if you seek a more traditional home equity credit line from a bank at a lower rate of interest.

In general, all things being equal, you should seek and use credit cards which do not take collateral in preference to those that do. Since interest rates on cards that do take collateral are typically just as high as those on cards that do not, the choice in favor of unsecured cards should be clear.



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CREDIT CARDS THAT TAKE SECURITY INTERESTS



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FAST FACTS

- * Sign your new cards as soon as they arrive.
- * Avoid signing a blank receipt, whenever possible. Draw a line through blank spaces above the total when you sign card receipts.
- * Save your card receipts to compare with your billing statements.
- * Open billing statements promptly and reconcile your card accounts each month, just as you would your checking account.
- * Report promptly and in writing any questionable charges to the card issuer.
- * Never lend your card/s to anyone.
- * Never give your number over the phone unless you are initiating a transaction with a company you know is reputable.

Everyone pays for credit and charge card fraud in higher prices, whether or not they are personally defrauded.

While theft is the most obvious form of credit and charge card fraud, fraud occurs in other ways, as well. For example, someone may use your card number (not the card itself) without your permission. This may occur in a variety of ways:

- * A thief rifles through trash to find discarded receipts or carbons to use the card numbers illegally.
- * A dishonest clerk makes an extra imprint from your credit card or charge card for his or her personal use.
- * You receive a postcard or a letter asking you to call an out-of-state number to take advantage of a free trip or a bargain-priced travel package. When you call, you are told you must join the travel club first. You are asked for your credit card number so you can be billed for the membership fee. The catch? New charges continue to be added at every step and you never get your free or bargain-priced vacation.

HOW TO GUARD AGAINST CREDIT AND CHARGE CARD FRAUD

Here are some suggested precautions you can take to help protect yourself against credit and charge card fraud. You also may want to instruct any other person who is authorized to use your account to take the same precautions.

Sign your new cards as soon as they arrive.

Carry your cards separately from your wallet.

Keep a record of your card numbers, their expiration dates, and the phone number and address of each company in a secure place.

Keep your card in view, whenever you can, after you give it to a clerk. Retrieve your card promptly after using it.

Always keep your credit cards in a safe place. Check periodically to make sure that none are missing.

Avoid signing a blank receipt, whenever possible. Draw a line through blank spaces above the total when you sign card receipts.

Don't leave your receipt in the bag when you have made a purchase.

Void or destroy all carbons and incorrect receipts.

Save your card receipts to compare with your billing statements.

Open billing statements promptly and reconcile your card accounts each month, just as you would your checking account.

Report promptly and in writing any questionable charges to the card issuer.

Notify card companies in advance of a change in address.

Cut up your expired or cancelled credit cards before you throw them out.

Destroy anything with your credit card number on it before you throw it away.

In addition, here are some things you should **not** do:

Never lend your card(s) to anyone.

Never leave your cards or receipts lying around.

Never put your card number on a postcard or on the outside of an envelope.

Never give your number over the phone unless you are initiating a transaction with a company you know is reputable. If you have questions about a company, check with your local consumer protection office or Better Business Bureau before ordering.

Never give out your Social Security number over the phone to someone you don't know.

Don't print your Social Security number on your checks.

WHAT TO DO IF YOUR CARDS ARE LOST OR STOLEN

If your credit or charge cards are lost or stolen, call the issuer(s) immediately. Most card companies have a toll-free number for reporting missing cards. Some companies provide 24-hour service. By law, once you report the loss or theft, you have no further liability for unauthorized charges. In any event, your maximum liability under federal law is \$50 per card.

What To Do About Suspected Fraud

If you suspect that someone has illegally used your credit card, Report it to the police and call the card issuer immediately. Use the special telephone number that many card issuers list on their billing statements. You also may want to follow up your phone call with a letter.

You may be asked to sign a statement under oath that you did not make the purchase(s) in question, but you cannot be required to do so.

You should also contact the three major credit reporting agencies to alert them to the fraudulent use of your card. They have special fraud units established to assist

consumers. They are Equifax (800-685-1111), Trans Union (800-888-4213), and Experian (800-682-7654). You can contact the Associated Credit Bureaus web site at www.acb-credit.com.



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CREDIT & CHARGE CARD FRAUD



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FAST FACTS

- * When you use a credit or charge card to check into a hotel or rent a car, the estimated amount of the transaction usually is "blocked" from your credit line immediately.
- * When renting hotel rooms or cars, ask clerks how much is being blocked on your credit card to avoid potential problems.
- * In some cases, the amount blocked from your credit line may remain for 10 to 15 days.
- * If you choose to pay your bill with the original credit card, the block is usually removed within a day or two.
- * When selecting a credit card, ask the card issuer how long credit lines are blocked for these transactions
- * If you pay your bill with a different credit card or cash, ask the clerk to release the block.

Have you ever presented your credit or charge card to a store clerk and been surprised when told you were over your credit limit? If this happened soon after you stayed at a hotel or motel or rented a car, the problem may have been caused by credit card "blocking."

HOW CREDIT CARD BLOCKING WORKS

When you use a credit or charge card to check into a hotel or motel or to rent a car, the clerk usually contacts your card issuer electronically with the estimated cost. If the card issuer approves the transaction, your available line of credit is reduced by this amount. This is called a "block" (or "authorization"). For example, suppose you use a credit card to check into a \$100-a-night hotel for five nights. At least \$500 would most likely be blocked on that

card. In addition, hotel and car rental companies sometimes add anticipated "incidental" costs for such things as food, beverages, or gasoline. These amounts can vary widely among merchants.

If you pay your bill with the same credit card you used at the beginning of the transaction, the final actual charge probably will replace the block within a day or two.

If, however, you use a different credit card, cash, or a check to pay for these services, the company that issued the credit card you originally presented might keep the block on for as long as 15 days after you've checked out of the hotel or returned the car.

This delay occurs because the first card issuer does not receive notice of the final charge and, therefore, is not aware that the transaction has been completed. Most card issuers program their computers to retain all blocks that have not been replaced by final charges for a specific number of days.

Issuers often choose a 10 or 15-day period because it is longer than most hotel stays and car rentals. Holding blocks for this long ensures that card holders do not use their entire credit limit before checking out of the hotel or returning their rental car, leaving the hotel or rental car company unpaid. The number of days that blocks are retained varies widely among card issuers.

WHY CREDIT CARD BLOCKING CAN BE A PROBLEM

Consumers who are far below their credit limit probably will not be affected by credit card blocking. But for consumers with charges close to their credit limit, credit card blocking can present problems. For example, consumers who need to use their cards for emergencies may find that, because of this temporary block, they have no credit left to use.

Those consumers who pay for their room or rental car with cash, a check, or a different credit card also may have problems. They may find that they do not have access to the amount of the block for 10 or 15 days, even though they already have paid the bill in full.

HOW TO PROTECT YOURSELF

If you do not want the aggravation that blocking can cause, you may want to:

- * Consider paying for all hotel, motel, or rental car expenses with the same credit card you used at the beginning of the transaction.
- * When you check into a hotel or pick up a rental car, ask clerks how much is being blocked on your credit line and how that amount was determined.
- * If you pay with a different credit card or cash, ask the clerk to remove the block.

In addition, when selecting among credit cards, ask credit card issuers how long credit lines are blocked for transactions involving hotels, motels, and rental cars. You may wish to choose an issuer that removes blocks more quickly.

FOR MORE INFORMATION

If you have questions or concerns about credit card blocking, write: Credit Card Blocking, Correspondence Branch, Federal Trade Commission, Washington, DC 20580. These comments help the FTC in its law enforcement efforts.

* * * * *

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CREDIT CARD BLOCKING



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